

**Senator Kirk A. Cullimore** proposes the following substitute bill:

**DIGITAL ASSET AMENDMENTS**

2022 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Kirk A. Cullimore**

House Sponsor: \_\_\_\_\_

---

---

**LONG TITLE**

**General Description:**

This bill establishes a framework for the regulation of digital assets.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ establishes a fee for the provision of custodial services of digital assets;
- ▶ establishes jurisdiction over custodial financial institutions providing custodial services of digital assets;
- ▶ classifies digital assets;
- ▶ describes the requirements for:
  - perfection of digital assets; and
  - financing statements for digital assets;
- ▶ authorizes custodial financial institutions to provide custodial services of digital assets;
- ▶ describes the conditions and terms under which a custodial financial institution may provide custodial services for a digital asset;
- ▶ establishes the terms under which a person has rights in virtual currency;
- ▶ describes the conditions required for a person to exercise control of virtual currency;



26 and

27       ▶ makes technical and conforming changes.

28 **Money Appropriated in this Bill:**

29       None

30 **Other Special Clauses:**

31       None

32 **Utah Code Sections Affected:**

33 AMENDS:

34       **7-1-401**, as last amended by Laws of Utah 2018, Third Special Session, Chapter 1

35       **7-1-501**, as last amended by Laws of Utah 2016, Chapter 288

36       **7-3-10**, as last amended by Laws of Utah 2018, Chapter 281

37       **7-9-5**, as last amended by Laws of Utah 2010, Chapter 378

38 ENACTS:

39       **7-27-101**, Utah Code Annotated 1953

40       **7-27-102**, Utah Code Annotated 1953

41       **7-27-103**, Utah Code Annotated 1953

42       **7-27-104**, Utah Code Annotated 1953

43       **7-27-201**, Utah Code Annotated 1953

44       **7-27-202**, Utah Code Annotated 1953

45       **7-27-203**, Utah Code Annotated 1953



47 *Be it enacted by the Legislature of the state of Utah:*

48       Section 1. Section **7-1-401** is amended to read:

49       **7-1-401. Fees payable to commissioner.**

50       (1) Except for an out-of-state depository institution with a branch in Utah, a depository  
51 institution under the jurisdiction of the department shall pay an annual fee:

52       (a) computed by averaging the total assets of the depository institution shown on each  
53 quarterly report of condition for the depository institution for the calendar year immediately  
54 preceding the date on which the annual fee is due under Section **7-1-402**; and

55       (b) at the following rates:

56       (i) on the first \$5,000,000 of these assets, the greater of:

- 57 (A) 65 cents per \$1,000; or  
58 (B) \$500;  
59 (ii) on the next \$10,000,000 of these assets, 35 cents per \$1,000;  
60 (iii) on the next \$35,000,000 of these assets, 15 cents per \$1,000;  
61 (iv) on the next \$50,000,000 of these assets, 12 cents per \$1,000;  
62 (v) on the next \$200,000,000 of these assets, 10 cents per \$1,000;  
63 (vi) on the next \$300,000,000 of these assets, 6 cents per \$1,000; and  
64 (vii) on all amounts over \$600,000,000 of these assets, 2 cents per \$1,000.
- 65 (2) A financial institution with a trust department shall pay a fee determined in  
66 accordance with Subsection (7) for each examination of the trust department by a state  
67 examiner.
- 68 (3) Notwithstanding Subsection (1), a credit union in [its] the credit union's first year of  
69 operation shall pay a basic fee of \$25 instead of the fee required under Subsection (1).
- 70 (4) A trust company that is not a depository institution or a subsidiary of a depository  
71 institution holding company shall pay:  
72 (a) an annual fee of \$500; and  
73 (b) an additional fee determined in accordance with Subsection (7) for each  
74 examination by a state examiner.
- 75 (5) Any person or institution under the jurisdiction of the department that does not pay  
76 a fee under Subsections (1) through (4) shall pay:  
77 (a) an annual fee of \$200; and  
78 (b) an additional fee determined in accordance with Subsection (7) for each  
79 examination by a state examiner.
- 80 (6) A person filing an application or request under Section [7-1-503](#), [7-1-702](#), [7-1-703](#),  
81 [7-1-704](#), [7-1-713](#), [7-5-3](#), or [7-18a-202](#) shall pay:  
82 (a) (i) a filing fee of \$500 if on the day on which the application or request is filed the  
83 person:  
84 (A) is a person with authority to transact business as a depository institution, a trust  
85 company, or any other person described in Section [7-1-501](#) as being subject to the jurisdiction  
86 of the department; and  
87 (B) has total assets in an amount less than \$5,000,000; or

88 (ii) a filing fee of \$2,500 for any person not described in Subsection (6)(a)(i); and  
89 (b) all reasonable expenses incurred in processing the application.

90 (7) (a) Per diem assessments for an examination shall be calculated at the rate of \$55  
91 per hour:

92 (i) for each examiner; and  
93 (ii) per hour worked.

94 (b) For an examination of a branch or office of a financial institution located outside of  
95 this state, in addition to the per diem assessment under this Subsection (7), the institution shall  
96 pay all reasonable travel, lodging, and other expenses incurred by each examiner while  
97 conducting the examination.

98 (8) In addition to a fee under Subsection (5), a person registering under Section  
99 [7-23-201](#) or [7-24-201](#) shall pay an original registration fee of \$300.

100 (9) In addition to a fee under Subsection (5), a person applying for licensure under  
101 Chapter 25, Money Transmitter Act, shall pay an original license fee of \$300.

102 (10) A custodial financial institution, as that term is defined in Section [7-27-101](#), that  
103 provides custodial services under Chapter 27, Digital Asset Management Act, shall pay:

104 (a) an annual fee of \$200; and

105 (b) an additional fee of 2 cents per \$1,000,000 of digital assets for which the financial  
106 institution provides custodial services.

107 Section 2. Section **7-1-501** is amended to read:

108 **7-1-501. Institutions and persons subject to jurisdiction of department.**

109 (1) As provided in this title and the rules of the department, the persons and institutions  
110 described in Subsection (2) are subject to:

111 (a) the jurisdiction of the department; and  
112 (b) supervision and examination by the department.

113 (2) Subsection (1) applies to:

114 (a) a depository institution chartered under the laws of this state, including any  
115 out-of-state branch of the depository institution;

116 (b) a Utah depository institution chartered by the federal government, but only to the  
117 extent the application of this title is authorized by:

118 (i) federal law; or

- 119 (ii) the appropriate federal regulatory agency;
- 120 (c) a Utah branch of an out-of-state depository institution chartered under the laws of  
121 another state;
- 122 (d) a Utah branch of an out-of-state depository institution chartered by the federal  
123 government, but only to the extent the application of this title is authorized by:
  - 124 (i) federal law; or
  - 125 (ii) the appropriate federal regulatory agency;
  - 126 (e) a service corporation or service organization, including a credit union service  
127 organization as defined in Section 7-9-3;
  - 128 (f) a trust company;
  - 129 (g) an escrow company;
  - 130 (h) a person or institution engaged in this state in the business of:
    - 131 (i) guaranteeing or insuring deposits, savings accounts, share accounts, or other  
132 accounts in depository institutions;
    - 133 (ii) operating a loan production office for:
      - 134 (A) a Utah depository institution;
      - 135 (B) an out-of-state depository institution; or
      - 136 (C) a foreign depository institution;
    - 137 (iii) a check casher or deferred deposit lender, as defined in Section 7-23-102;
    - 138 (iv) a title lender, as defined in Section 7-24-102; or
    - 139 (v) money transmission, as defined in Section 7-25-102;
  - 140 (i) a corporation or other business entity owning or controlling an institution subject to  
141 the jurisdiction of the department;
  - 142 (j) subject to Subsection (3), a technology service provider that provides services to a  
143 depository institution subject to the jurisdiction of the department;
  - 144 (k) a subsidiary or affiliate of an institution subject to the jurisdiction of the  
145 department; ~~and~~
  - 146 (l) any person or institution that, with or without authority to do so, transacts business  
147 as, or holds itself out as being, a depository institution, trust company, or any other person or  
148 institution described in this section as being subject to the jurisdiction of the department~~[-]; and~~  
149 (m) a custodial financial institution providing custodial services, as defined in Section

150 [7-27-101.](#)

151 (3) A technology service provider is subject to regulation and examination by the  
152 commissioner to the same extent as if the service or activity of the technology service provider  
153 were being performed by the depository institution itself.

154 Section 3. Section **7-3-10** is amended to read:

155 **7-3-10. Organization -- Powers, rights, and privileges of banking corporation --**  
156 **Other business activities.**

157 (1) A bank chartered under this chapter shall be:

158 (a) a domestic corporation under Title 16, Chapter 10a, Utah Revised Business  
159 Corporation Act; or

160 (b) subject to Section [7-1-810](#), including the requirement that the bank be an S  
161 Corporation immediately before becoming a limited liability company, a limited liability  
162 company created under Title 48, Chapter 3a, Utah Revised Uniform Limited Liability  
163 Company Act.

164 (2) A bank has all the rights, privileges, and powers necessary or incidental to carrying  
165 on the business of banking in addition to the powers granted:

166 (a) if the bank is a corporation, under Title 16, Chapter 10a, Utah Revised Business  
167 Corporation Act; or

168 (b) subject to Section [7-1-810](#), if the bank is a limited liability company, under Title  
169 48, Chapter 3a, Utah Revised Uniform Limited Liability Company Act.

170 (3) The commissioner may, by rule or order, determine that necessary or incidental  
171 rights, privileges, and powers include:

172 (a) the rights, privileges, and powers held by national banks; or

173 (b) other business activities so long as the commissioner's determination is not  
174 inconsistent with the rules, regulations, or other actions of the board of governors of the  
175 Federal Reserve System under Section 4(c)(8) of the Bank Holding Company Act of 1956, 12  
176 U.S.C. Sec. 1843(c)(8).

177 (4) The commissioner shall implement this section in a manner consistent with the  
178 purposes set forth in Section [7-1-102](#).

179 (5) A bank may exercise the powers described in Chapter 27, Digital Asset  
180 Management Act.

181 Section 4. Section 7-9-5 is amended to read:

182 **7-9-5. Powers of credit unions.**

183 In addition to the powers specified elsewhere in this chapter and subject to any  
184 limitations specified elsewhere in this chapter, a credit union may:

185 (1) make contracts;

186 (2) sue and be sued;

187 (3) acquire, lease, or hold fixed assets, including real property, furniture, fixtures, and  
188 equipment as the directors consider necessary or incidental to the operation and business of the  
189 credit union, but the value of the real property may not exceed 7% of credit union assets, unless  
190 approved by the commissioner;

191 (4) pledge, hypothecate, sell, or otherwise dispose of real or personal property, either in  
192 whole or in part, necessary or incidental to its operation;

193 (5) incur and pay necessary and incidental operating expenses;

194 (6) require an entrance or membership fee;

195 (7) receive the funds of its members in payment for:

196 (a) shares;

197 (b) share certificates;

198 (c) deposits;

199 (d) deposit certificates;

200 (e) share drafts;

201 (f) NOW accounts; and

202 (g) other instruments;

203 (8) allow withdrawal of shares and deposits, as requested by a member orally to a third  
204 party with prior authorization in writing, including drafts drawn on the credit union for  
205 payment to the member or any third party, in accordance with the procedures established by the  
206 board of directors, including drafts, third-party instruments, and other transaction instruments,  
207 as provided in the bylaws;

208 (9) charge fees for its services;

209 (10) extend credit to its members, at rates established in accordance with the bylaws or  
210 by the board of directors;

211 (11) extend credit secured by real estate;

212 (12) (a) subject to Subsection (12)(b), make co-lending arrangements, including loan  
213 participation arrangements, in accordance with written policies of the board of directors with  
214 one or more:

- 215 (i) other credit unions;
- 216 (ii) credit union service organizations; or
- 217 (iii) other financial organizations; and

218 (b) make co-lending arrangements, including loan participation arrangements, in  
219 accordance with Subsection (12)(a) subject to the following:

220 (i) the credit union or credit union service organization that originates a loan for which  
221 co-lending arrangements are made shall retain an interest of at least 10% of the loan;

222 (ii) on or after May 5, 2003, the originating credit union or credit union service  
223 organization may sell to a credit union an interest in a co-lending arrangement that involves a  
224 member-business loan only if the person receiving the member-business loan is a member of  
225 the credit union to which the interest is sold;

226 (iii) on or after May 5, 2003, the originating credit union or credit union service  
227 organization may sell to a credit union service organization an interest in a co-lending  
228 arrangement that involves a member-business loan only if the person receiving the  
229 member-business loan is a member of a credit union that holds an interest in the credit union  
230 service organization to which the interest is sold; and

231 (iv) a nonexempt credit union may not originate, participate in, or obtain any interest in  
232 a co-lending arrangement, including a loan participation arrangement, in violation of Section  
233 [7-9-58](#);

234 (13) sell and pledge eligible obligations in accordance with written policies of the  
235 board of directors;

236 (14) engage in activities and programs of the federal government or this state or any  
237 agency or political subdivision of the state, when approved by the board of directors and not  
238 inconsistent with this chapter;

239 (15) act as fiscal agent for and receive payments on shares and deposits from the  
240 federal government, this state, or its agencies or political subdivisions not inconsistent with the  
241 laws of this state;

242 (16) borrow money and issue evidence of indebtedness for a loan or loans for

- 243 temporary purposes in the usual course of its operations;
- 244 (17) discount and sell notes and obligations;
- 245 (18) sell all or any portion of its assets to another credit union or purchase all or any
- 246 portion of the assets of another credit union;
- 247 (19) invest funds as provided in this title and in its bylaws;
- 248 (20) maintain deposits in insured depository institutions as provided in this title and in
- 249 its bylaws;
- 250 (21) (a) hold membership in corporate credit unions organized under this chapter or
- 251 under other state or federal statutes; and
- 252 (b) hold membership or equity interest in associations and organizations of credit
- 253 unions, including credit union service organizations;
- 254 (22) declare and pay dividends on shares, contract for and pay interest on deposits, and
- 255 pay refunds of interest on loans as provided in this title and in its bylaws;
- 256 (23) collect, receive, and disburse funds in connection with the sale of negotiable or
- 257 nonnegotiable instruments and for other purposes that provide benefits or convenience to its
- 258 members, as provided in this title and in its bylaws;
- 259 (24) make donations for the members' welfare or for civic, charitable, scientific, or
- 260 educational purposes as authorized by the board of directors or provided in its bylaws;
- 261 (25) act as trustee of funds permitted by federal law to be deposited in a credit union as
- 262 a deferred compensation or tax deferred device, including individual retirement accounts as
- 263 defined by Section 408, Internal Revenue Code;
- 264 (26) purchase reasonable accident and health insurance, including accidental death
- 265 benefits, for directors and committee members through insurance companies licensed in this
- 266 state as provided in its bylaws;
- 267 (27) provide reasonable protection through insurance or other means to protect board
- 268 members, committee members, and employees from liability arising out of consumer
- 269 legislation including truth-in-lending and equal credit laws and as provided in its bylaws;
- 270 (28) reimburse directors and committee members for reasonable and necessary
- 271 expenses incurred in the performance of their duties;
- 272 (29) participate in systems which allow the transfer, withdrawal, or deposit of funds of
- 273 credit unions or credit union members by automated or electronic means and hold membership

274 in entities established to promote and effectuate these systems, if:

275 (a) the participation is not inconsistent with the law and rules of the department; and

276 (b) any credit union participating in any system notifies the department as provided by  
277 law;

278 (30) issue credit cards and debit cards to allow members to obtain access to their  
279 shares, deposits, and extensions of credit;

280 (31) provide any act necessary to obtain and maintain membership in the credit union;

281 (32) exercise incidental powers necessary to carry out the purpose for which a credit  
282 union is organized;

283 (33) undertake other activities relating to its purpose as its bylaws may provide;

284 (34) engage in other activities, exercise other powers, and enjoy other rights,  
285 privileges, benefits, and immunities authorized by rules of the commissioner;

286 (35) act as trustee, custodian, or administrator for Keogh plans, individual retirement  
287 accounts, credit union employee pension plans, and other employee benefit programs; [~~and~~]

288 (36) advertise to the general public the products and services offered by the credit  
289 union if the advertisement prominently discloses that to use the products or services of the  
290 credit union a person is required to:

291 (a) be eligible for membership in the credit union; and

292 (b) become a member of the credit union[?]; and

293 (37) perform custodial services as defined in Section 7-27-102.

294 Section 5. Section 7-27-101 is enacted to read:

295 **CHAPTER 27. DIGITAL ASSET MANAGEMENT ACT**

296 **Part 1. General Provisions**

297 **7-27-101. Definitions.**

298 As used in this chapter:

299 (1) "Control," notwithstanding Section 7-1-103, and with respect to a digital consumer  
300 asset or a digital security, means:

301 (a) a secured party, or an agent, custodian, fiduciary, or trustee of the secured party, has  
302 the exclusive legal authority to conduct a transaction relating to the digital consumer asset or  
303 the digital security, including by means of a private key or the use of a multi-signature  
304 arrangement the secured party authorizes; or

305 (b) the secured party has created a smart contract which gives the secured party  
306 exclusive legal authority to conduct a transaction relating to a digital consumer asset or the  
307 digital security.

308 (2) "Custodial financial institution" includes:

309 (a) a bank;

310 (b) a credit union;

311 (c) a depository institution;

312 (d) an industrial bank; or

313 (e) an entity that holds digital assets.

314 (3) (a) "Custodial services" means the safekeeping and management of customer digital  
315 assets through the exercise of fiduciary and trust powers under this part.

316 (b) "Custodial services" includes fund administration and the execution of customer  
317 instructions.

318 (4) "Debtor" means a person obligated on a digital asset.

319 (5) (a) "Digital asset" means a representation of economic, proprietary, or access rights  
320 that is stored in a computer readable format.

321 (b) A "digital asset" is:

322 (i) a digital consumer asset;

323 (ii) a digital security; or

324 (iii) a virtual currency.

325 (6) (a) "Digital consumer asset" means a digital asset that is used or bought primarily  
326 for consumptive, personal, or household purposes.

327 (b) "Digital consumer asset" includes an open blockchain token constituting intangible  
328 personal property.

329 (c) "Digital consumer asset" does not include:

330 (i) a digital security; or

331 (ii) a virtual currency.

332 (7) (a) "Digital security" means a digital asset which constitutes a security, as that term  
333 is defined in Section [70A-8-101](#).

334 (b) "Digital security" does not include:

335 (i) a digital consumer asset; or

336 (ii) a virtual currency.

337 (8) "Multi-signature arrangement" means a system of access control relating to a digital  
338 asset for the purposes of preventing unauthorized transactions relating to the asset, in which  
339 two or more private keys are required to conduct a transaction.

340 (9) (a) "Possession" means the ability to exclude others from the use of a digital asset.

341 (b) "Possession" includes:

342 (i) the use of:

343 (A) a private key;

344 (B) a multi-signature arrangement exclusive to the secured party; or

345 (C) a smart contract; and

346 (ii) delivery of certified digital securities.

347 (10) "Private key" means a unique element of cryptographic data, which is:

348 (a) held by a person;

349 (b) paired with a unique, publicly available element of cryptographic data; and

350 (c) associated with an algorithm that is necessary to carry out an encryption or  
351 decryption required to execute a transaction.

352 (11) "Smart contract" means an automated transaction, as that term is defined in  
353 Section [46-4-102](#), which is comprised of code, script, or programming language that executes  
354 the terms of an agreement, and which may include taking custody of and transferring a digital  
355 asset, or issuing executable instructions for these actions, based on the occurrence or  
356 nonoccurrence of specified conditions.

357 (12) (a) "Virtual currency" means a digital asset that is:

358 (i) used as:

359 (A) a medium of exchange;

360 (B) a unit of account; or

361 (C) a store of value; and

362 (ii) not recognized as legal tender by the United States government.

363 (b) "Virtual currency" does not include:

364 (i) a transaction in which a merchant grants, as part of an affinity or rewards program,  
365 value that cannot be taken from or exchanged with the merchant for legal tender or bank credit;

366 (ii) a digital representation of value that a publisher issues for use solely within an

367 online game, game platform, or family of games that the publisher sells or offers on the same  
368 game platform;

369 (iii) a digital consumer asset; or

370 (iv) a digital security.

371 Section 6. Section **7-27-102** is enacted to read:

372 **7-27-102. Classification of digital assets.**

373 (1) Digital consumer assets are intangible personal property and shall be considered  
374 general intangibles, as that term is defined in Section [70A-9a-102](#) for purposes of this chapter,  
375 and Title 70A, Chapter 9a, Uniform Commercial Code - Secured Transactions.

376 (2) Digital securities are intangible personal property and shall be considered securities  
377 and investment property for purposes of this chapter, Title 70A, Chapter 8, Uniform  
378 Commercial Code - Investment Securities, and Title 70A, Chapter 9a, Uniform Commercial  
379 Code - Secured Transactions.

380 (3) Virtual currency is intangible personal property and, notwithstanding Subsection  
381 [70A-1a-201](#)(2), shall be considered money for purposes of this chapter and Title 70A, Chapter  
382 9a, Uniform Commercial Code - Secured Transactions.

383 (4) (a) A digital asset may be treated as a financial asset under Section [70A-8-101](#),  
384 pursuant to a written agreement with the owner of the digital asset.

385 (b) If treated as a financial asset, a digital asset is intangible personal property.

386 (5) A custodial financial institution providing custodial services under Section  
387 [7-27-104](#) shall be considered to meet the requirements of a securities intermediary as that term  
388 is defined in Section [70A-8-101](#).

389 (6) Classification of digital assets under this section may not be construed to apply to  
390 any other asset.

391 Section 7. Section **7-27-103** is enacted to read:

392 **7-27-103. Perfection of security interests in digital assets -- Financing statements.**

393 (1) (a) Notwithstanding Section [70A-9a-310](#), perfection of a security interest in a  
394 digital asset may be achieved through control.

395 (b) A security interest held by a secured party that has control of the digital asset has  
396 priority over a security interest held by a secured party that does not have control of the digital  
397 asset.

398 (2) Before a secured party may take control of a digital asset that is a digital consumer  
399 asset or a digital security, the secured party shall enter into a control agreement with the debtor  
400 and all other necessary parties.

401 (3) A control agreement for a digital asset may:

402 (a) name the parties subject to the agreement;

403 (b) describe the digital asset subject to the agreement; and

404 (c) set the terms under which a secured party may pledge the secured party's security  
405 interest in the digital asset as collateral for another transaction.

406 (4) If the debtor is located in Utah, the secured party may file a financing statement  
407 with the Division of Corporations and Commercial Code, created in Section [13-1a-1](#), to perfect  
408 the secured party's security interest in:

409 (a) a digital asset that is a digital consumer asset or a digital security; or

410 (b) the proceeds from a digital asset if perfected in accordance with Section  
411 [70A-9a-315](#).

412 (5) Notwithstanding any other provision of law, including Title 70A, Uniform  
413 Commercial Code, a transferee takes a digital asset that is a digital consumer asset or a digital  
414 security free of any security interest:

415 (a) if the transferee took the asset for value six or more months ago;

416 (b) the transferee never received notice of an adverse claim; and

417 (c) the transferee does not have actual notice of an adverse claim.

418 (6) Subsection (5) only applies to a security interest in a digital asset perfected by a  
419 method other than control.

420 (7) Perfection by control creates a possessory security interest and does not require  
421 physical possession.

422 (8) For purposes of Title 70A, Uniform Commercial Code, and this part, a digital asset  
423 is located in the state if:

424 (a) a Utah custodian possesses or controls the digital asset;

425 (b) the debtor or secured party is physically located in the state; or

426 (c) the debtor or secured party is incorporated or organized in the state.

427 (9) Evidence of location in the state for purposes of Subsection (8) can be found in:

428 (a) a security agreement accompanying a possessory security interest or other secured

429 transaction that describes the possessory nature of the private key of a digital asset; and

430 (b) the choice of law in a security agreement.

431 Section 8. Section **7-27-104** is enacted to read:

432 **7-27-104. Custodial services of digital assets.**

433 (1) (a) A custodial financial institution may provide custodial services consistent with  
434 this section upon providing 60 days written notice to the commissioner.

435 (b) A custodial financial institution that elects to provide custodial services under this  
436 section shall comply with the provisions of this section.

437 (2) A custodial financial institution may serve as a qualified custodian of a digital  
438 asset, as specified by the United States Securities and Exchange Commission defined in 17  
439 C.F.R. Sec. 275.206(4)-2.

440 (3) In performing custodial services for a digital asset, a custodial financial institution  
441 shall:

442 (a) implement all accounting, account statement, internal control, notice, and other  
443 standards specified by applicable state or federal law and rules for custodial services;

444 (b) maintain information technology best practices relating to digital assets held in  
445 custody;

446 (c) fully comply with applicable federal and anti-money laundering, customer

447 identification, and beneficial ownership requirements; and

448 (d) take other actions necessary to carry out this section, which may include:

449 (i) exercising fiduciary powers similar to those permitted to national banks; and

450 (ii) ensuring compliance with federal law governing digital assets classified as  
451 commodities.

452 (4) The commissioner may by rule made in accordance with Title 63G, Chapter 3, Utah  
453 Administrative Rulemaking Act, specify required best practices described in Subsection (3)(b).

454 (5) (a) If a custodial financial institution takes custody of a digital asset under this  
455 section, the digital asset is not a depository liability or asset of the custodial financial  
456 institution.

457 (b) A custodial financial institution, or a custodial financial institution's subsidiary,  
458 may register as an investment adviser, investment company, or broker dealer as necessary.

459 (c) A custodial financial institution shall maintain control over a digital asset while the

460 custodial financial institution has custody of that digital asset.

461 (6) A customer shall elect, with respect to each of the digital assets of the customer  
462 over which the custodial financial institution maintains custody, a written agreement stating  
463 whether the custodial financial institution's custody is:

464 (a) under bailment as a nonfungible or fungible asset; or

465 (b) under bailment pursuant to Subsection (8).

466 (7) Digital assets held under bailment pursuant to Subsection (6)(a) shall be strictly  
467 segregated from other assets.

468 (8) (a) A custodial financial institution may undertake transactions with a customer's  
469 digital asset if:

470 (i) the customer elects for the custodial financial institution to hold custody under  
471 bailment in Subsection (6)(b); and

472 (ii) the customer provides instructions for the custodial financial institution to  
473 undertake transactions with the customer's digital asset.

474 (b) A custodial financial institution maintains possession or control of a digital asset as  
475 described in Subsection (6) if the custodial financial institution enters into an agreement with  
476 the counterparty to a transaction which contains a time for return of the asset.

477 (c) A custodial financial institution shall not be liable for any loss suffered with respect  
478 to a transaction under this subsection, except for liability consistent with fiduciary and trust  
479 powers as a custodian.

480 (9) A custodial financial institution and a customer shall agree in writing to:

481 (a) the source code version the custodial financial institution will use for each digital  
482 asset; and

483 (b) the treatment of each asset under Title 70A, Uniform Commercial Code.

484 (10) Any ambiguity in Subsection (9) shall be resolved in favor of the customer.

485 (11) A custodial financial institution shall provide written notice to the customer, and  
486 require written acknowledgment from the customer:

487 (a) of any non-emergency updates, including the material source code updates, relating  
488 to any of the customer's digital assets of which the custodial financial institution holds custody;

489 (b) of the heightened risk of loss from transactions under Subsection (8);

490 (c) that some risk of loss as a pro rata creditor exists as the result of custody as a

491 fungible asset or custody under Subsection (6)(b);

492 (d) that custody under Subsection (6)(b) may not result in the segregation of the  
493 customer's digital assets from other customer assets; and

494 (e) that the custodial financial institution is not liable for losses suffered under  
495 Subsection (8), except for liability consistent with the custodial financial institution's fiduciary  
496 and trust responsibilities.

497 (12) (a) A custodial financial institution and a customer shall agree in writing to:

498 (i) a time period within which the custodial financial institution must return to the  
499 customer a digital asset the custodial financial institution holds in custody; and

500 (ii) other material terms.

501 (b) If a customer makes an election under Subsection (6)(b), the custodial financial  
502 institution and the customer may also agree in writing to the form in which the custodial  
503 financial institution shall return the digital asset.

504 (13) (a) All ancillary or subsidiary proceeds relating to digital assets held in custody  
505 under this section shall accrue to the benefit of the customer, except as specified by a written  
506 agreement between the custodial financial institution and the customer.

507 (b) The custodial financial institution may elect not to collect certain ancillary or  
508 subsidiary proceeds, as long as the custodial financial institution's election not to collect is  
509 disclosed in writing.

510 (c) A customer who makes an election under Subsection (6)(a) may withdraw the  
511 digital asset in a form that permits the collection of the ancillary or subsidiary proceeds.

512 (14) (a) A custodial financial institution may not authorize or permit rehypothecation  
513 of digital assets.

514 (b) A custodial financial institution may not engage in any activity to use or exercise  
515 discretionary authority relating to a digital asset except activity the custodial financial  
516 institution engages in based on customer instructions.

517 (15) A custodial financial institution may not take any action which would likely  
518 impair the solvency or the safety and soundness of the custodial financial institution.

519 (16) The commissioner shall make rules, in accordance with Title 63G, Chapter 3,  
520 Administrative Rulemaking Act, and in consideration of the nature of customary banking  
521 custodial services, to determine whether a custodial financial institution's actions would impair

522 the solvency or the safety of the custodial financial institution in violation of Subsection (15).

523 Section 9. Section **7-27-201** is enacted to read:

524 **Part 2. Virtual Currency**

525 **7-27-201. Definitions.**

526 (1) "Adverse claim" means a claim that a claimant has a property interest in a virtual  
527 currency and that it is a violation of the rights of the claimant for another person to hold,  
528 transfer, or deal with the virtual currency.

529 (2) "Qualifying purchaser" means a purchaser that obtains control of a virtual currency  
530 for value and without notice of an adverse claim.

531 Section 10. Section **7-27-202** is enacted to read:

532 **7-27-202. Rights in virtual currency.**

533 (1) A purchaser of a virtual currency acquires all rights in the virtual currency that the  
534 transferor had or had power to transfer.

535 (2) A purchaser of a limited interest in a virtual currency acquires rights only to the  
536 extent of the interest purchased.

537 (3) In addition to acquiring the rights of a purchaser, a qualifying purchaser acquires  
538 the purchaser's rights in a virtual currency free of any adverse claim.

539 (4) An action based on an adverse claim to a virtual currency, whether framed in  
540 conversion, replevin, constructive trust, equitable lien, or another theory, may not be asserted  
541 against a qualifying purchaser.

542 (5) A person has notice of an adverse claim if:

543 (a) the person has actual knowledge of the adverse claim; or

544 (b) the person is aware of facts sufficient to indicate that there is a significant  
545 possibility that the adverse claim exists and deliberately avoids information that would  
546 establish the existence of the adverse claim.

547 (6) The filing of a financing statement with the Division of Corporations and  
548 Commercial Code, created in Section [13-1a-1](#), is not sufficient to serve as notice of an adverse  
549 claim to a purchaser of a virtual currency.

550 Section 11. Section **7-27-203** is enacted to read:

551 **7-27-203. Control of virtual currency.**

552 (1) A person has control of a virtual currency if:

553 (a) the virtual currency, or the system in which the virtual currency is recorded, if any,  
554 gives the person:

555 (i) the power to derive substantially all the benefit from the virtual currency;

556 (ii) subject to Subsection (2), the exclusive power to prevent others from deriving  
557 substantially all the benefit from the virtual currency; and

558 (iii) subject to Subsection (2), the exclusive power to transfer control of the virtual  
559 currency to another person or to cause another person to obtain control of a virtual currency  
560 that derives from the virtual currency; and

561 (b) the virtual currency, a record attached to or logically associated with the virtual  
562 currency, or the system in which the virtual currency is recorded, if any, enables the person to  
563 readily identify the person as having the powers described in Subsection (1)(a).

564 (2) A power described in Subsection (1)(a)(ii) or (1)(a)(iii) is exclusive even if:

565 (a) the virtual currency or the system in which the virtual currency is recorded, if any,  
566 limits the use to which the virtual currency may be put or has protocols to result in a transfer of  
567 control; and

568 (b) the person has agreed to share the power with another person.

569 (3) For the purposes of Subsection (1)(b), a person may be identified through any  
570 method, including:

571 (a) name;

572 (b) identifying number;

573 (c) cryptographic key;

574 (d) office; or

575 (e) account number.